

Arab Bank MENA Fund

Performance Report 27.02.20

A fund of the Arab Bank MENA Fund Company B.S.C. (Closed)

NAV PER SHARE

\$8.37

OBJECTIVES OF THE FUND

The Arab Bank MENA Fund is an open ended mutual fund that offers investors the opportunity to invest in the capital markets of the Middle East and North Africa region (MENA), with a particular focus on listed equities. The Fund aims to achieve an annual average net return in the range of 10% to 15% over a full investment cycle. The Fund aims to carry a lower volatility than that of the market, by dynamically rotating across asset classes, geographies and sectors, depending on market conditions.

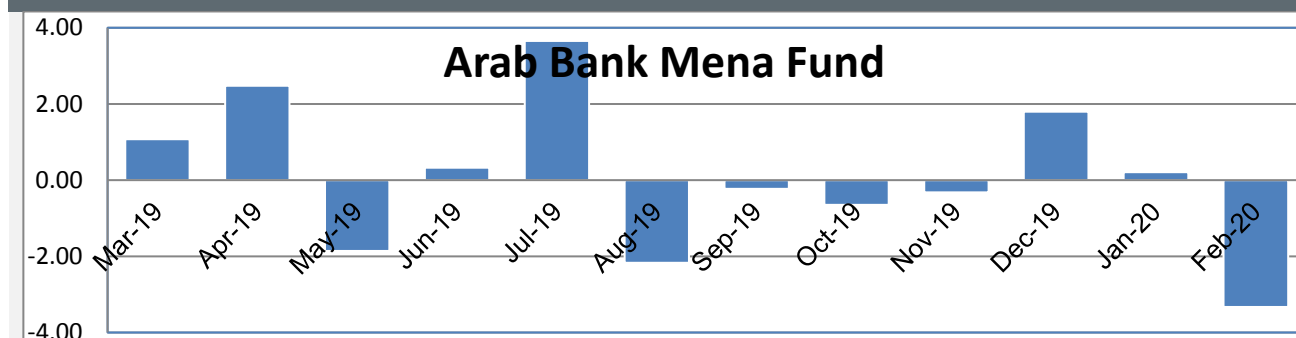
KEY FEATURES

Domicile	Kingdom of Bahrain	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 16,140,708	Dealing frequency	Monthly, 5 business days prior to month end
Launch date	October 2005	Fund manager	Al Arabi Investment Group Co (AB Invest)
Administrator	Gulf Clearing Company	BBG code	ARABMNA BI Equity

MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
Arab Bank MENA Fund													
2020	0.21	-3.33											-3.12
2019	2.05	0.94	1.07	2.48	-1.86	0.33	3.65	-2.17	-0.23	-0.65	-0.32	1.80	7.13
2018	0.23	-0.81	0.79	2.30	-1.19	0.37	-1.14	-0.73	-0.31	-0.31	-0.77	-0.57	-2.18
2017	1.01	0.32	1.39	0.78	-1.70	0.97	0.22	-1.03	0.65	-0.57	-3.49	-0.11	-1.65
2016	-10.85	6.29	1.49	2.17	-1.11	-0.06	1.35	-0.90	-1.29	-1.26	5.06	2.19	2.05
2015	1.74	3.12	-3.83	4.81	-0.54	0.08	-0.16	-9.07	-0.68	-3.22	-1.61	-0.40	-9.99

MONTHLY RETURN OVER THE PAST TWELVE MONTHS



RETURN PERCENTAGES

1 month	-3.33%	3 months	-1.38%	Since inception	-16.26%
6 months	-2.56%	12 months	0.75%		

PERFORMANCE STATISTICS

	The Fund
Annualized return	-1.2%
Annualized volatility	13.3%
Sharpe ratio	NM
Maximum month	13.7%
Minimum month	-23.5%
% Positive months	54.3%
Worst 12 months	-70.2%
Best 12 months	110.9%

TOP TEN HOLDINGS

	Country	%
Dubai Islamic Bank	UAE	11.84%
Emaar Properties	UAE	6.49%
Ooredoo	Oman	6.17%
Aramex	UAE	5.48%
Saudi Airlines Catering	KSA	5.27%
SAMBA Financial Services	KSA	3.32%
Arab Bank	Jordan	3.21%
Palestine Telecommunications	Palestine	3.06%
Abu Dhabi Commercial Bank	UAE	3.01%
Human Soft Holding	Kuwait	2.55%

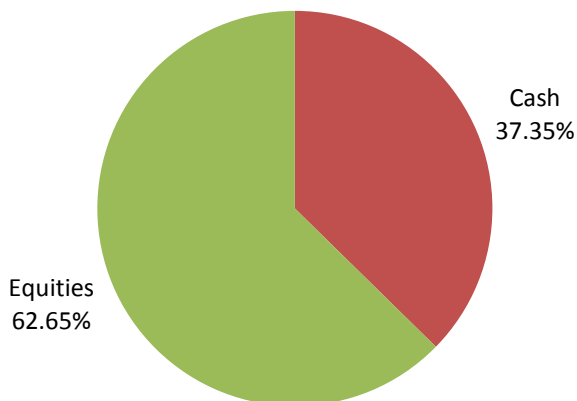


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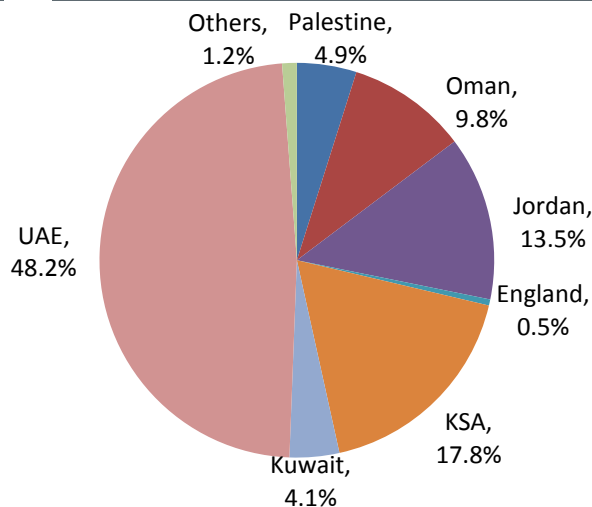
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ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (EQUITIES)



COMMENTARY

MENA markets witnessed steep declines in February with the novel coronavirus beginning to take a toll on market valuations and real economic data. The S&P Pan Arab Investable Index dropped 6.85% (YTD -7.61%) and the Dow Jones MENA Index fell by 6.75% (YTD -7.20%). In Islamic markets, the Dow Jones Islamic Market MENA Index decreased by 6.78% (YTD -7.22%).

In contrast to regional indices, the Arab Bank MENA Fund retreated by 3.33% (YTD -3.12%), the IIAB Islamic MENA Fund declined by 2.41% (YTD -2.26%) and the IIAB MENA Feeder Fund lost 2.49% (YTD -2.42%).

The Qatari Index saw the biggest decline in the region with -9.12% (YTD -8.97%), followed by the Saudi Arabian TASI Index, which lost 7.50% (YTD -9.07%). The UAE's DFM General Index fell by 7.18% (YTD -6.32%) and the Abu Dhabi Index lost 4.94% (YTD -3.43%). Furthermore, Kuwait's Premier Market Index shed 4.31% (YTD -3.52%). In contrast, Oman's MSM30 Index managed to gain 1.27% during the month (YTD +3.76%) and the Bahraini Index eked out a gain of 0.17% (YTD +3.12%). Outside the GCC, Jordan's ASE General Index lost 1.71% (YTD +1.14%) and, in Egypt, the EGX30 Index dropped 6.54% (YTD -6.82%).

Banks in the UAE have invested up to AED141.4 billion (USD38.5 billion) in Q4 2019 across four GCC states. The Q4 2019 investment marks an 11.3% quarter-on-quarter growth and reflects the level of stability that banks have assumed across Saudi Arabia, Bahrain, Oman and Kuwait. Saudi Arabia was the top beneficiary of UAE banks, accounting for 54% of the total banking investment across the four GCC states.

The International Monetary Fund (IMF) says monarchies of the Persian Gulf face a budget reckoning and risk losing their USD2 trillion in financial wealth within 15 years as oil demand nears peak levels. Global oil demand may start falling sooner than expected, putting a strain on the finances of the six-member Gulf Cooperation Council (GCC) and, without decisive economic reforms, the richest states could exhaust their net financial wealth by 2034. The IMF says GCC countries need to be more aggressive in their pursuit of economic transformation to preserve their current wealth. Governments will likely need to cut spending further, save more, and introduce broad-based taxation to make ends meet.

In interest rate news, the Central Bank of Kuwait cut the repo rate by 25bps and the deposit rate by 50bps. The move should be positive for its banks' net interest margins in 2020. In Egypt, the Central Bank's Monetary Policy Committee (MPC) maintained policy rates at their current level. While noting the retreat in oil prices and easing global financial conditions, the MPC said the coronavirus outbreak could weigh on the global economic outlook.

In oil markets, Brent oil dropped 13.14% (YTD -23.45%) and WTI lost 13.19% (YTD -26.70%). The Organization of Petroleum Exporting Countries (OPEC) has not made a decision yet on whether to extend or modify its agreement to cut oil output, according to Saudi Arabia's Energy Minister. The coalition known as OPEC+ is going to meet in Vienna in early March to assess its global cuts and output policy. Analysts see global demand for oil dropping this quarter, the first decline in a decade, as the coronavirus outbreak batters the Chinese economy and creates a significant supply surplus.



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Global markets arguably faced larger losses in February. In the U.S., the S&P 500 dropped 8.41% (YTD -8.56%) and the Dow Jones lost 10.07% (YTD -10.96%). While in Europe, the German DAX fell by 8.41% (YTD -10.25%), the French CAC 40 depreciated 8.55% (YTD -11.18%), and the FTSE 100 lost 9.68% (YTD -12.75%). In the Far East, the Nikkei Index shed 8.89% (YTD -10.63%), the Shanghai Composite Index lost 3.23% (YTD -5.57%), and the Hang Seng Index slipped 0.69% (YTD -7.31%).

Large swings in the market led volatility indices to appreciate significantly. VIX rose 112.90% (YTD +191.07%) and Euro Stoxx 50 (VSTOXX) jumped 146.22% (YTD +202.67%).

World Bank President David Malpass said he expects global economic growth in the first half of 2020 to fall short of the 2.5% rate that the lender had forecast for the full year. "The good news is that was slightly higher than what the growth rate was in 2019, but the bad news is, for one, the first half is probably to be slower than that given the coronavirus," Malpass said at a gathering of economists in Washington. "But also, even at 2.5% real growth for the world, that simply is not enough growth to really lift developing countries." The coronavirus is the top concern at the bank and they are working closely with the World Health Organization (WHO) to develop a range of tools to use as the pandemic spreads.

Given the elevated volatility and rising uncertainties in real economies and capital markets, a conservative approach has been maintained in terms of asset allocation and positions exposures. On a tactical basis, peripheral short-term trading has been utilized, but more importantly, longer-term fundamentally sound positions have been enhanced opportunistically. Healthy levels of cash will enable more efficient reallocation to countries and sectors with more attractive valuations, better clarity in terms of cash flows, and more generous dividend yields.

INVESTMENT METHODOLOGY AND EDGE

AB Invest is one of the most experienced and fastest growing MENA investment managers operating out of Jordan. AB Invest provides its clients with a number of MENA-focused investment solutions on conventional and Sharia-compliant bases. Our investment process is based on rigorous fundamental analysis with a view on delivering superior risk-adjusted returns, using a combination of top-down and bottom-up approaches. Our deep knowledge of the markets in which we invest allows us to deliver consistent returns while prudently managing risk.

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Arab Bank MENA Fund is a Fund created and sponsored by the Arab Bank MENA Fund Company B.S.C. (Closed) and is an open-ended investment Fund registered under the Laws of the Kingdom of Bahrain.

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